

PX 378

Message

From: Brad Garlinghouse [redacted@ripple.com]
on behalf of Brad Garlinghouse [redacted@ripple.com] <[redacted@ripple.com]>
Sent: 4/9/2017 3:14:49 PM
To: Chris Larsen [Chris Larsen <[redacted@ripple.com]>]
Subject: Re: XRP grants and tax implications

Yes - agree, it's not really our cost - but since we are responsible (required) for withholding and paying the taxes, it becomes our problem.

Redacted

I'll revisit it with [redacted] but I also think that equity can serve the same purpose but without the cash complexities.

On Sun, Apr 9, 2017 at 6:53 PM, Chris Larsen <[redacted@ripple.com]> wrote:

Sounds good - let's discuss.

Obviously the withholding isn't really our cost - is there a way to modify the income event to when he actually sells?

Chris

Chris Larsen | Executive Chairman
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On Apr 9, 2017, at 21:08, Brad Garlinghouse <[redacted@ripple.com]> wrote:

Chris,

I can't recall if you were aware of the details - but Patrick's XRP grant of [redacted] was set to vest based upon time [redacted] and price (\$ [redacted] for [redacted]). We'll pass the price hurdle very shortly and thus he'll get [redacted] of the XRP grant. (as fyi, mine was set at \$ [redacted] - which also will vest [redacted] soon)

[redacted] and I have been discussing the mechanics of implementation for Patrick.

One key element - which impacts how I think about doing this for others (particularly [redacted] and Miguel) is the cash implications for Ripple given tax issues. Using Patrick's grant as they example:

He was granted [REDACTED] - so he'll vest [REDACTED] of that ([REDACTED] XRP) in a week or so - at a price of about [REDACTED] cents - which is a value of [REDACTED]. This amount is considered compensation and thus we'll have to withhold and pay payroll tax on that. This means that this vesting event will cost us about \$ [REDACTED] in cash.

Practically we will simply send to him the [REDACTED] XRP (~\$ [REDACTED]) LESS the withholding - so we'll send him ~ [REDACTED] XRP (which is about ~\$ [REDACTED] of XRP).

[REDACTED] and team did not forecast these costs in our 2017 cash balance forecast - so this will impact our end of year cash forecast. We will certainly try to take advantage of the price and volume increases to offset this by increasing our programmatic sales - but I'm not sure we'll be able to offset all of it.

While I'm sharing this for transparency - I'm also sharing it because it impacts how I think about additional XRP grants (vs. using Ripple equity). On Friday we talked about doing something for [REDACTED] - and perhaps Miguel also. So I just wanted to flag this for discussion at some point in the coming week or two.

Brad